

## Message Text

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ACTION OPIC-06

INFO OCT-01 NEA-09 ISO-00 COME-00 FRB-01 TRSE-00 XMB-04

AID-05 L-02 EB-07 OMB-01 /036 W

----- 051282

R 170643Z APR 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 8160

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

UNCLAS NEW DELHI 5147

E.O. 11652: N/A

TAGS: EINV, IN

SUBJ: INDIAN CONVERTIBILITY PRACTICE

REF: STATE A-2134

1. INDIA HAS ALWAYS PROMPTLY HONORED ITS ACKNOWLEDGED FOREIGN EXCHANGE OBLIGATIONS. IT MANAGES ITS FOREIGN EXCHANGE RESERVES WITH SUCH PRUDENCE AS TO ASSURE IT HAS SUFFICIENT FOREIGN EXCHANGE RESERVES TO DO SO, AND WE ASSUME THIS SITUATION WILL CONTINUE TO PREVAIL. ONCE INDIA RECOGNIZES THAT A FOREIGN EXCHANGE OBLIGATION EXISTS, THE MACHINERY MOVES VERY FAST, CERTAINLY WELL WITHIN ONE MONTHS. IN THE NARROW SENSE, THEREFORE, THE QUESTION OF ACTIVE OR PASSIVE BLOCKAGE OF A REQUEST FOR A TRANSFER OF FOREIGN EXCHANGE SIMPLY DOES NOT ARISE.

2. HOWEVER, THE ADMINISTRATIVE PROCEDURES LEADING UP APPROVAL OF A TRANSFER OF FOREIGN EXCHANGE ARE COMPLICATED AND WHILE THE

LENGTH OF TIME IT TAKES TO SEE A FOREIGN EXCHANGE TRANSACTION THROUGH IS UNCERTAIN, IT IS ALSO LONG. IF A FIRM'S REQUEST FOR A DIVIDENT TRANSFER, FOR EXAMPLE, IS STRAIGHTFORWARD AND IF IT KNOWS ITS WAY THROUGH THE ADMINISTRATIVE MAZE, IT MAY GET APPROVAL FOR A FOREIGN EXCHANGE TRANSFER

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IN NO MORE THAN SIX MONTHS. A COMPLICATED TRANSFER,

ESPECIALLY ONE ABOUT WHICH THE INDIAN GOVERNMENT IS UNCERTAIN OR ABOUT WHICH IT WISHES TO REGISTER A POINT, MAY TAKE A YEAR OR MORE FOR THE ADMINISTRATIVE PROCEDURES TO BE COMPLETED. AT SOME POINT DURING THEM, A STRONG HINT MAY FORTHCOME FOR A QUID IN THE FORM PERHAPS OF A CHANGE IN THE OWNERSHIP STRUCTURE, OR THE WAY DIVIDENDS ARE CALCULATED, IN EXCHANGE FOR THE QUO OF ADMINISTRATIVE CLEARANCE. THIS IS A PROBLEM THAT PLAGUES SO MUCH BUSINESS ACTIVITY IN INDIA: THE COMPLEXITIES OF THE ADMINISTRATIVE PROCEDURE OFTEN INVOLVE MANIFOLD AND ALWAYS OSTENSIBLY LEGITIMATE REASONS WHY A CLEARANCE MAY BE DELAYED AND THE AMBIGUITY MAKES IT DIFFICULT TO COME TO GRIPS WITH WHY A DECISION TAKES SO LONG.

3. IN SHORT, THE NARROWER THE DEFINITION OF CONVERTIBILITY RIGHTS, THE EASIER IT IS TO SAY THAT NO UNDUE DELAYS EXIST. IF DELAY MEANS THE TOTAL TIME BETWEEN WHEN THE FIRST STEP ON THE ROAD TO GETTING MONEY OUT OF INDIA IS TAKEN AND WHEN THE FOREIGN EXCHANGE IS ACTUALLY IN HAND, THEN THE DELAYS CAN BE LONG -- CERTAINLY WELL IN EXCESS OF 30 TO 60 DAYS.SAXBE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** EXPORT CREDIT GUARANTIES, INVESTORS, FOREIGN EXCHANGE TRANSACTIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 APR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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